

**REPORT OF THE AUDIT OF THE  
LOGAN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2003**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LOGAN COUNTY FISCAL COURT**

For The Fiscal Year Ended  
June 30, 2003

The Auditor of Public Accounts has completed the Logan County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

Fund balances decreased by \$746,800 from the beginning of the year, resulting in a cash surplus of \$2,132,808 as of June 30, 2003.

#### **Debt Obligations:**

Total bonded debt principal as of June 30, 2003, was \$4,805,000. Future collections of \$7,480,941 are needed to pay all bonded debt principal and interest.

Notes payable principal totaled \$64,569 as of June 30, 2003. Future principal and interest payments of \$72,500 are needed to meet this obligation

Capital lease principal agreements totaled \$77,000 as of June 30, 2003. Future principal and interest payments of \$79,255 are needed to meet these obligations.

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities or bonds.



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C R I T L U A L L E N  
A U D I T O R O F P U B L I C A C C O U N T S

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable John H. Guion, III, Logan County Judge/Executive  
Members of the Logan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Logan County, Kentucky, as of June 30, 2003, the statement of cash receipts, cash disbursements, and changes in cash balances - governmental fund type, the statement of cash receipts, cash disbursements, and changes in cash balances - proprietary fund type, and the related statement of cash flows - proprietary fund type for the year then ended. These financial statements are the responsibility of the Logan County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Logan County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity of Logan County, Kentucky, as of June 30, 2003, and its receipts and disbursements, and the cash flows of its enterprise fund for the year then ended in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
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Members of the Logan County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2004, on our consideration of Logan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Logan County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
June 8, 2004



LOGAN COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

**Fiscal Court Members:**

John H. Guion III	County Judge/Executive
Harold Prince	Magistrate
Curtis Watkins	Magistrate
Dickie Carter	Magistrate
Ranny Adler	Magistrate
Jo Orange	Magistrate
Harris Dockins	Magistrate

**Other Elected Officials:**

Thomas A. Noe, III	County Attorney
Bill Jenkins	Jailer
Kenny M. Chapman	County Clerk
Sherry Wilkins	Circuit Court Clerk
Wallace Whittaker	Sheriff
Ben Brown	Property Valuation Administrator
Jackie Dunlap	Coroner

**Appointed Personnel:**

Elaine Jenkins	County Treasurer
Karen Taylor	Finance Officer

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STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

LOGAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Types			Enterprise Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Jail Canteen	
<u>Assets and Other Resources</u>					
<u>Assets</u>					
Cash and Cash Equivalents	\$ 834,507	\$ 33,731	\$ 61	\$ 31,229	\$ 899,528
Investments	868,407		445,946		1,314,353
Total Assets	<u>\$ 1,702,914</u>	<u>\$ 33,731</u>	<u>\$ 446,007</u>	<u>\$ 31,229</u>	<u>\$ 2,213,881</u>
<u>Other Resources</u>					
Amounts to Be Provided in Future Years for:					
Note Payable (Note 6)	\$ 64,569	\$	\$	\$	\$ 64,569
Capital Lease (Note 5)		77,000			77,000
Bond Payments (Note 4)			4,358,993		4,358,993
Total Other Resources	<u>\$ 64,569</u>	<u>\$ 77,000</u>	<u>\$ 4,358,993</u>	<u>\$ 0</u>	<u>\$ 4,500,562</u>
Total Assets and Other Resources	<u><u>\$ 1,767,483</u></u>	<u><u>\$ 110,731</u></u>	<u><u>\$ 4,805,000</u></u>	<u><u>\$ 31,229</u></u>	<u><u>\$ 6,714,443</u></u>

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY  
STATEMENT OF ASSETS, LIABILITIES,  
AND EQUITY ARISING FROM CASH TRANSACTIONS  
June 30, 2003  
(Continued)

	Governmental Fund Types			Enterprise Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Jail Canteen	
<u>Liabilities and Equity</u>					
<u>Liabilities</u>					
Capital Lease (Note 5)	\$	\$ 77,000	\$	\$	\$ 77,000
Bonds:					
Series 1998 (Note 4)			4,805,000		4,805,000
Notes Payable (Note 6)	64,569				64,569
Payroll Liability	49,844				49,844
Total Liabilities	\$ 114,413	\$ 77,000	\$ 4,805,000	\$ 0	\$ 4,996,413
<u>Equity</u>					
Retained Earnings	\$	\$	\$	\$ 31,229	\$ 31,229
Fund Balances:					
Unreserved	\$ 1,653,070	33,731			1,686,801
Total Equity	\$ 1,653,070	\$ 33,731	\$ 0	\$ 31,229	\$ 1,718,030
Total Liabilities and Equity	\$ 1,767,483	\$ 110,731	\$ 4,805,000	\$ 31,229	\$ 6,714,443

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

LOGAN COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES - GOVERNMENTAL FUND TYPE

For The Fiscal Year Ended June 30, 2003

	General Fund Types		
	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>			
Schedule of Operating Revenue	\$ 2,799,221	\$ 1,417,936	\$ 600,393
Other Financing Sources:			
Transfers In	384,559		1,250,000
Kentucky Advance Revenue Program	1,194,800	25,300	
Total Cash Receipts	<u>\$ 4,378,580</u>	<u>\$ 1,443,236</u>	<u>\$ 1,850,393</u>
<u>Cash Disbursements</u>			
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 2,210,379	\$ 1,406,165	\$ 1,513,582
Other Financing Uses:			
Transfers Out	1,250,000	89,559	330,723
Bonds:			
Principal Paid			
Interest Paid			
Borrowed Money Repaid			
Capital Lease Principal Paid			
Kentucky Advance Revenue Program Repaid	1,194,800	25,300	
Total Cash Disbursements	<u>\$ 4,655,179</u>	<u>\$ 1,521,024</u>	<u>\$ 1,844,305</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ (276,599)	\$ (77,788)	\$ 6,088
Cash Balance - July 1, 2002	291,999	600,645	9,766
	**		
Cash Balance - June 30, 2003	<u>\$ 15,400</u>	<u>\$ 522,857</u>	<u>\$ 15,854</u>

\* Cash Balance Includes Investments

\*\* General Fund Beginning Cash Balance has increased by \$14 due to voided prior year checks.

The accompanying notes are an integral part of the financial statements.



LOGAN COUNTY  
STATEMENT OF CASH RECEIPTS,  
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
For The Fiscal Year Ended June 30, 2003  
(Continued)

General Fund Types			Special Revenue Fund Type	Debt Service Fund Type	Totals (Memorandum Only)
Local Government Economic Assistance Fund	Solid Waste Fund	Public Hospital Corporation Fund	Emergency 911 Fund	Public Properties Corporation Sinking Fund	
\$ 49,070	\$ 213,840	\$ 47,210	\$ 349,081	\$ 18,906	\$ 5,495,657
			88,976	330,723	2,054,258
					1,220,100
<u>\$ 49,070</u>	<u>\$ 213,840</u>	<u>\$ 47,210</u>	<u>\$ 438,057</u>	<u>\$ 349,629</u>	<u>\$ 8,770,015</u>
\$ 121,644	\$ 125,147	\$	\$ 437,903	\$	\$ 5,814,820
	88,976	295,000			2,054,258
				115,000	115,000
				235,464	235,464
	7,173				7,173
			70,000		70,000
					1,220,100
<u>\$ 121,644</u>	<u>\$ 221,296</u>	<u>\$ 295,000</u>	<u>\$ 507,903</u>	<u>\$ 350,464</u>	<u>\$ 9,516,815</u>
\$ (72,574)	\$ (7,456)	\$ (247,790)	\$ (69,846)	\$ (835)	\$ (746,800)
92,215	199,202	1,135,362	103,577	446,842	2,879,608
		*		*	
<u>\$ 19,641</u>	<u>\$ 191,746</u>	<u>\$ 887,572</u>	<u>\$ 33,731</u>	<u>\$ 446,007</u>	<u>\$ 2,132,808</u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE



LOGAN COUNTY  
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	<u>Enterprise Fund Type</u>
<u>Cash Receipts</u>	<u>Jail Canteen Fund</u>
Jail Canteen Receipts	<u>\$ 127,171</u>
Total Cash Receipts	<u>\$ 127,171</u>
<u>Cash Disbursements</u>	
Jail Canteen Expenditures	<u>\$ 116,961</u>
Total Cash Disbursements	<u>\$ 116,961</u>
Excess of Cash Receipts Over Cash Disbursements	\$ 10,210
Cash Balance July 1, 2002	<u>21,019</u>
Cash Balance June 30, 2003	<u><u>\$ 31,229</u></u>

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE





LOGAN COUNTY  
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For The Fiscal Year Ended June 30, 2003

	Enterprise Fund Type
	Jail Canteen Fund
Cash Flows from Operating Activities:	
Operating Income	\$ 10,210
Net Cash Provided by Operating Activities	\$ 10,210
Net Increase in Cash and Cash Equivalents	\$ 10,210
Cash and Cash Equivalents - July 1, 2002	21,019
Cash and Cash Equivalents - June 30, 2003	\$ 31,229

The accompanying notes are an integral part of the financial statements.

LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Logan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Logan County Public Properties Corporation as part of the reporting entity.

Logan County Public Properties Corporation

Fiscal Court has the authority to appoint a voting majority of the Public Properties Corporation's (PPC) Board of Directors. Fiscal Court also has the ability to approve or modify the PPC's budget, approve or modify rate or fee changes affecting revenues, veto, overrule, or modify decisions of the Board of Directors, or otherwise impose its will on the PPC. In addition, Fiscal Court is financially accountable for the PPC: legally entitled to the PPC's resources as well as legally obligated for the PPC's debt. Financial information for the Public Properties Corporation is blended within Logan County's financial statements.

Additional - Logan County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Logan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Logan County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below

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LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Logan County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Solid Waste Fund, and Public Hospital Corporation Fund.

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Logan County Special Revenue Fund Type includes the following county funds: Emergency 911 Fund.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the Public Properties Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

4) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Logan County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the county jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Logan County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

A formal budget is not adopted for the Public Properties Corporation Sinking Fund (Debt Service Fund Type) because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Governor's Office for Local Development does not require this fund to be budgeted.

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. For the purpose of the statement of cash flows, the county considers all investments with a maturity date of three months or less when purchased to be cash equivalents.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Logan County Fiscal Court: East Logan County Water District and North Logan County Water District, but the fiscal court's accountability for these organizations does not extend beyond making the appointments.

LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Joint Ventures

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. The Logan County Fiscal Court is a participant with the cities of Adairville, Auburn, Lewisburg, and Russellville in a joint venture to operate the Joint City-County Planning Commission and Board of Adjustment (Planning Commission). The Planning Commission is governed by an eleven-member board composed of five appointees from the Logan County Fiscal Court, three appointees from City of Russellville, and one appointee each from City of Adairville, City of Auburn, and City of Lewisburg.

The Fiscal Court and each city are obligated as follows: "All costs incurred by the Commission, not met by Federal and/or State monies, shall be paid by the participating cities and the county on a percentage rate according to the number of members appointed to the commission by each of the participating entities."

H. Jointly Governed Organization

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that creates the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility. The Logan County Fiscal Court (Fiscal Court), in conjunction with City of Russellville (City), has created the Russellville-Logan County Airport Board (Airport Board). The Airport Board is composed of three members each from the Fiscal Court and City. On September 23, 1997, the Fiscal Court and the City guaranteed repayment of loans in the amount of \$120,000 at an interest rate of 2% per annum. The loans are for a period of ten years for the purpose of constructing capital improvements.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system, which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 3. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2003, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name.

Types of Investments	Category			Carrying Amount	Market Value
	1	2	3		
Repurchase Agreement	\$ 868,407	\$	\$	\$ 868,407	\$ 868,407
U.S. Government Agency Obligations	445,946			445,946	454,200
Totals	<u>\$ 1,314,353</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,314,353</u>	<u>\$ 1,322,607</u>

LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 4. Bonds Payable

On September 1, 1998, the Logan County Public Properties Corporation issued first mortgage bonds to provide funding for the construction of the Logan County Jail. The total bond issue was in the amount of \$5,140,000, with interest rates varying between 4.25% and 5.1%. Interest is payable on March 1 and September 1 of each year. The bond issue provides for early redemption, with 30 days notice, on or after September 1, 2008. Bonds outstanding as of June 30, 2003 totaled \$4,805,000. Debt service requirements are:

Fiscal Year Ended June 30	Principal	Interest
2004	\$ 125,000	\$ 230,364
2005	130,000	224,945
2006	135,000	219,314
2007	140,000	213,436
2008	150,000	207,163
2009-2013	860,000	926,256
2014-2018	1,110,000	692,215
2019-2023	1,455,000	372,045
2023-2025	700,000	36,210
Totals	<u>\$ 4,805,000</u>	<u>\$ 3,121,948</u>

Note 5. Capital Lease Agreement

The county entered into the following lease agreement for the purchase of 911 Equipment on April 26, 1999 with a maturity date of January 20, 2004. The principal amount borrowed was \$275,000. On February 8, 2000 the county borrowed an additional \$55,000 with an interest rate of 4.02 percent. The principal amount outstanding as of June 30, 2003 was \$77,000. Capital lease payment requirements are:

Fiscal Year Ended June 30	Principal	Interest
2004	<u>\$ 77,000</u>	<u>\$ 2,255</u>

LOGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2003  
(Continued)

Note 6. Note Payable

On July 1, 2000, the Logan County Fiscal Court entered into a loan agreement with Kentucky Infrastructure Authority for \$175,917. The fiscal court actually drew down \$78,731. The loan was for the purpose of establishing a comprehensive recycling program for Logan County, including the cities of Russellville, Adairville, Auburn, and Lewisburg. The principal was \$78,731 at 2.60% interest for a period of ten years, interest and principal paid semi-annually. The principal amount outstanding as of June 30, 2003 was \$64,569. Debt service requirements are:

Fiscal Year Ended		
June 30	Principal	Interest
2004	\$ 7,360	\$ 1,757
2005	7,553	1,549
2006	7,751	1,336
2007	7,954	1,118
2008	8,162	894
2009-2011	25,789	1,277
Totals	<u>\$ 64,569</u>	<u>\$ 7,931</u>

Note 7. Contingencies

A. Russellville Rural Volunteer Fire Department

On September 10, 2000, the Russellville Rural Volunteer Fire Department of Logan County borrowed \$112,881 from the Kentucky Fire Commission/Fire Rescue Training for the purchase of radios, protective clothing and repair to the 1995 truck with 12 annual payments of \$11,340. On January 9, 2001, the Logan County Fiscal Court agreed to guarantee payment of \$3,090; the portion of the annual payment that exceeds Russellville Rural Fire Department's State Aid Grant of \$8,250, if for any reason the fire department is unable to meet this obligation.

B. Russellville-Logan County Airport Board

On September 23, 1997, the Logan County Fiscal Court and the Russellville City Council agreed to guarantee repayment of a loan made to the Russellville-Logan County Airport Board to repay loans made by the Auburn Banking Company and the Kentucky Airport Development Fund, as well as for the construction of capital improvements. The principal borrowed was \$120,000 at an interest rate of 2% per annum, to be financed for 10 years. As of June 30, 2003, the Russellville-Logan County Airport Board did not appear to be in default on the loan.

Note 8. Insurance

For the fiscal year ended June 30, 2003, Logan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.



COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE



LOGAN COUNTY  
COMPARATIVE SCHEDULE OF  
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 2,734,506	\$ 2,799,221	\$ 64,715
Road and Bridge Fund	1,385,166	1,417,936	32,770
Jail Fund	678,118	600,393	(77,725)
Local Government Economic Assistance Fund	60,950	49,070	(11,880)
Solid Waste	233,957	213,840	(20,117)
Special Reserve	30,000	47,210	17,210
<u>Special Revenue Fund Type</u>			
Emergency 911 Fund	<u>343,000</u>	<u>349,081</u>	<u>6,081</u>
Totals	<u>\$ 5,465,697</u>	<u>\$ 5,476,751</u>	<u>\$ 11,054</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 5,465,697
Add: Budgeted Prior Year Surplus	2,389,632
Less: Other Financing Uses	<u>(407,896)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 7,447,433</u>

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SCHEDULE OF OPERATING REVENUE



LOGAN COUNTY  
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>GOVERNMENTAL FUND TYPES</u>				
<u>Revenue Categories</u>	<u>General Fund Type</u>	<u>Special Revenue Fund Type</u>	<u>Debt Service Fund Type</u>	<u>Totals (Memorandum Only)</u>
Taxes	\$ 1,246,126	\$ 346,696	\$	\$ 1,592,822
In Lieu Tax Payments	116,035			116,035
Licenses and Permits	127,769			127,769
Intergovernmental Revenues	3,340,695			3,340,695
Charges for Services	19,995			19,995
Miscellaneous Revenues	143,489	226		143,715
Interest Earned	133,561	2,159	18,907	154,627
Total Operating Revenue	<u>\$ 5,127,670</u>	<u>\$ 349,081</u>	<u>\$ 18,907</u>	<u>\$ 5,495,658</u>

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COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

LOGAN COUNTY  
COMPARATIVE SCHEDULE OF  
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 2,073,890	\$ 1,898,654	\$ 175,236
Protection to Persons and Property	1,376,244	1,372,484	3,760
General Health and Sanitation	183,851	148,291	35,560
Social Services	13,600	9,027	4,573
Recreation and Culture	256,053	89,422	166,631
Roads	1,502,619	1,262,136	240,483
Airports	19,666	19,666	
Debt Service	12,330	12,322	8
Capital Projects	235,000		235,000
Administration	1,311,444	564,915	746,529
Total Operating Budget - General Fund Type	\$ 6,984,697	\$ 5,376,917	\$ 1,607,780
Other Financing Uses:			
Borrowed Money-			
Notes Payable - Principal	7,173	7,173	
Transfers to Public Property Corporation Fund	330,723	330,723	
TOTAL BUDGET - GENERAL FUND TYPE	\$ 7,322,593	\$ 5,714,813	\$ 1,607,780

LOGAN COUNTY  
 COMPARATIVE SCHEDULE OF  
 FINAL BUDGET AND BUDGETED EXPENDITURES  
 For The Fiscal Year Ended June 30, 2003  
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Protection to Persons and Property	\$ 373,515	\$ 352,877	\$ 20,638
Debt Service	5,917	5,917	
Administration	83,304	79,109	4,195
Total Operating Budget - Special Revenue Fund Type	\$ 462,736	\$ 437,903	\$ 24,833
Other Financing Uses:			
Capital Lease Agreement-			
Principal on Lease-			
911 Equipment	70,000	70,000	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 532,736</u>	<u>\$ 507,903</u>	<u>\$ 24,833</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable John H. Guion, III, Logan County Judge/Executive  
Members of the Logan County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of Logan County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated June 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Logan County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Logan County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
June 8, 2004



CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

LOGAN COUNTY FISCAL COURT

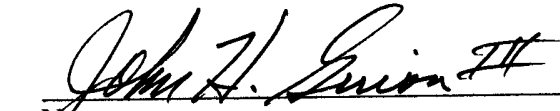
For The Fiscal Year Ended  
June 30, 2003

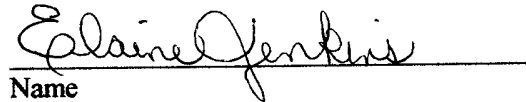


CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE  
LOGAN COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Logan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Name  
County Judge/Executive

  
\_\_\_\_\_  
Name  
County Treasurer



